

Message Text

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 4034

AMEMBASSY TEL AVIV

C O N F I D E N T I A L TEGUCIGALPA 3590

E.O. 11652: GDS

TAGS: EFIN, PINT, HO

SUBJECT: CALL ON CENTRAL BANK PRESIDENT

SUMMARY: PRESIDENT OF CENTRAL BANK GUILLERMO BUESO RECEIVED CHARGE AND ECOMOFF JULY 22. PRIMARY PURPOSE OF CALL WAS FOR INTRODUCTION. DISCUSSION RANGED OVER FINANCIAL CONDITIONS, MILITARY PURCHASES, SALVADOR BORDER PROBLEM AND TEXACO STOCK QUESTION. END SUMMARY.

1. AFTER INTRODUCTIONS AND OFFER TO SR. BUESO OF A LEADER GRANT, SR. BUESO PROVIDED HIS VIEWS ON SEVERAL TOPICS. THE FIRST WAS GENRAL FINANCIAL CONDITONS WHICH HE FINDS VERY GOOD FOR HONDURAS AS LONG AS A CERTAIN AMOUNT OF CAUTION IS EXERCISED TO PREVENT EXCESSIVE SPENDING PRELIMINARY BUDGET EXERCISES HAVE COMMENCED WITH THE CENTRAL BANK AND THE CABINET. SR. BUESO IS EXERCISING MUCH CARE TO AVOID A CONTINUATION OF RANDOM AND UNCONTROLLED SPENDING BY GOVERNMENT AGENCIES. WHEN ASKED IF MILITARY EXPENDITURES WERE TO BE INCLUDED IN THE BUDGET FIGURES, SR. BUESO RESPONDED AFFIRMATIVELY AND SAID THAT THERE WAS NO OTHER WAY THE MONEY COULD BE PROVIDED TO THE MILITARY. WHEN ASKED HOW THE REPORTED \$30 MILLION SPENT IN ISRAEL WAS TO BE BUDGETED, SR. BUESO RESPONDED THAT THE PURCHASES IN ISRAEL WERE NO SUCH FIGURE. "MUCH, MUCH LESS," HE STATED. HE ADDED THAT HE DID NOT BELIEVE THAT THE MILITARY IN HONDURAS HAD SPENT MUCH

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MORE THAN \$30 MILLION FOR ARMS PURCHASES SINCE THE 1969 CONFLICT

WITH SALVADOR. HE SAID THE MILITARY WOULD LIKE TO SPEND TWO OR THREE TIMES THAT AMOUNT, BUT THAT THE CABINET HAD MADE CLEAR THAT THE FINANCIAL RESOURCES DO NOT EXIST TO SUPPORT SUCH EXPENDITURES.

2. ON SALVADOR, SR. BUESO STATED THAT THE MILITARY BELIEVE THE SITUATION TO BE WELL IN HAND. SR. BUESO STATED THAT THE NEW MINISTER OF FOREIGN RELATIONS WILL BE SUPPORTED BY A STRONG UNDERSTANDING WITHIN THE CABINET AND A GROUP OF ADVISERS. HE SAID THE PAST FOUR OR FIVE MONTHS UNDER FORMIN PERDOMO HAD NOT BEEN FRUITFUL AND THE LATTER DID NOT COMMUNICATE WELL WITH THE CABINET, WHEREAS PALMA WILL.

3. SR. BUESO REFERRED TO THE TEXACO SHARES PROBLEM, STATING THAT TEXACO SHOULD MAKE ITS DECISION AND INFORM THE GOVERNMENT HOW MANY MONTHS, THREE OR SIX, IT WILL TAKE TO LEGALIZE THE OWNERSHIP OF THE PREFERRED SHARES IN HONDURAN HANDS. HE SAID HE FULLY RECOGNIZES THAT A VIOLATION OF LAW MUST OCCUR BUT TEXACO CANNOT EXPECT THE GOV TO VIOLATE THE LAW SO AS TO TAKE TEXACO OFF THE HOOK. THE IMPORTANT ELEMENT IS THAT TEXACO KEEP BUESO ADVISED OF ITS ACTIONS.

COMMENT: IMPRESSIVE AS ALWAYS, SR. BUESO EXPLICITLY GAVE GREATER WEIGHT TO THE CABINET RELATIVE TO THE MILITARY THAN WE WOULD HAVE EXPECTED. HE IMPLIED THAT THE CABINET, UNDER MELGAR, HAS FULL CONTROL OVER MILITARY SPENDING, AND THAT COMPLETE RESPONSIBILITY FOR NEGOTIATIONS WITH SALVADOR LIES WITHIN THE CABINET. THE EMBASSY BELIEVES THAT BUESO EXAGGERATES THE EXTENT OF CABINET CONTROL OVER MILITARY SPENDING AND NEGOTIATIONS WITH EL SALVADOR. IN OUR VIEW, THE CABINET INFLUENCES MILITARY DECISIONS BUT DOES NOT EXERCISE FULL CONTROL OVER SPENDING DECISIONS. IN REGARD TO NEGOTIATIONS WITH EL SALVADOR, THE CABINET PARTICIPATES IN THE DEVELOPMENT OF POSITIONS BUT IT DOES NOT HAVE COMPLETE RESPONSIBILITY FOR THE MAKING OF POLICY REGARDING EL SALVADOR. THIS RESPONSIBILITY IS SHARED WITH THE SUPERIOR DEFENSE COUNCIL AND WITH THE FOREIGN POLICY ADVISORY GROUP.

BARTCH

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